

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of Aquila, Inc.,                    )   Application No. NG-0034  
d/b/a Aquila Networks (Aquila),                )  
Omaha, seeking authority for Gas                )  
Cost Adjustment "Fixed Price                    )   ORDER APPROVING APPLICATION  
Option Pilot Program" for resi-                )  
dential customers in all Aquila                )  
rate areas in the state of                     )  
Nebraska.   )   Entered: March 7, 2006

BY THE COMMISSION:

On December 30, 2005, Aquila, Inc., d/b/a Aquila Networks (Aquila), Omaha, Nebraska, filed an application seeking authority to implement a Gas Cost Adjustment "Fixed Price Option Pilot Program" for residential customers in all Aquila rate areas in the state of Nebraska. Notice of the application was published on January 4, 2006, in the Daily Record, Omaha, Nebraska. Petitions for Formal Intervention were filed by the Public Advocate and Kinder Morgan, Inc. (Kinder Morgan).

O P I N I O N S   A N D   F I N D I N G S

Aquila, the Public Advocate and Kinder Morgan (collectively "the Parties") conducted informal discovery and entered discussions in order to address various issues raised by the intervenors regarding Aquila's application. Subsequently, on March 1, 2006, the Parties filed a stipulation agreeing to submit the matter to the Commission for consideration without a formal hearing.

As part of the stipulation, Aquila agreed to change the name of the "Fixed Price Option" to the "Annual Price Option" in order to avoid potential confusion with several fixed-price packages offered by various suppliers in Kinder Morgan's Customer Choice Program.

The Annual Price Option would be offered to Aquila's residential customers in each of its three rate areas on a first come first served basis. Customers enrolled in the program will pay a fixed price for a twelve (12) month period for their natural gas supply. Per the stipulation, enrollment in Rate Area 2 will be limited to 30,000. Enrollment in Rate Areas 1 and 3 will be limited to ten percent (10%) of the customers in each rate area. If customers under-subscribe in one rate area, the excess level of fixed gas supply for that rate area will be made available to the other rate areas.

At the end of the twelve (12) month period, Aquila will make an adjustment to the annual Gas Cost Reconciliation (GCR) for those customers enrolled in the Annual Price Option based upon the under or over recovery of the actual cost of the natural gas supply. Should a customer move from the Annual Price Option to the traditional service, the GCR for their enrollment year will remain on their bill for the appropriate twelve (12) month period. The amounts of over or under recovery for the Annual Price Option and Traditional Sales Service will be maintained in separate FERC 191 Accounts. Aquila has submitted proposed tariff sheets addressing the inclusion of an annual GCR in the cost of gas for the Annual Price Option.

Aquila will also provide educational materials to its customers consistent with the terms of the stipulation. The costs of conducting the education campaign for the Annual Price Option will be recovered through a "Customer Education Surcharge" which will be calculated annually. The Surcharge will be collected from all residential customers. At the time of filing the stipulation, Aquila estimates that the total amount to be charged to customers in the first year of the program will be \$225,000.

The Commission considers Aquila's application pursuant to the State Natural Gas Regulation Act, *Neb. Rev. Stat. § 66-1801 et seq. (2004 Cum. Supp.)*. We have reviewed Aquila's application, all Petitions for Intervention, and the Parties' stipulation. We find that Aquila's application to institute an Annual Price Option as modified by the Parties' stipulation and the attendant tariff changes should be approved.

We further find that Aquila should file with the Commission the educational materials it intends to distribute to customers regarding the Annual Price Option program in advance of their distribution.

#### O R D E R

IT IS THEREFORE ORDERED by the Public Service Commission that the application as modified by the Parties' stipulation and attendant tariff changes are approved.

IT IS FURTHER ORDERED that Aquila shall file with the Commission the educational materials it intends to distribute to customers regarding the Annual Price Option program in advance of their distribution.

MADE AND ENTERED at Lincoln, Nebraska, this 7th day of March, 2006.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chairman

ATTEST:

Executive Director